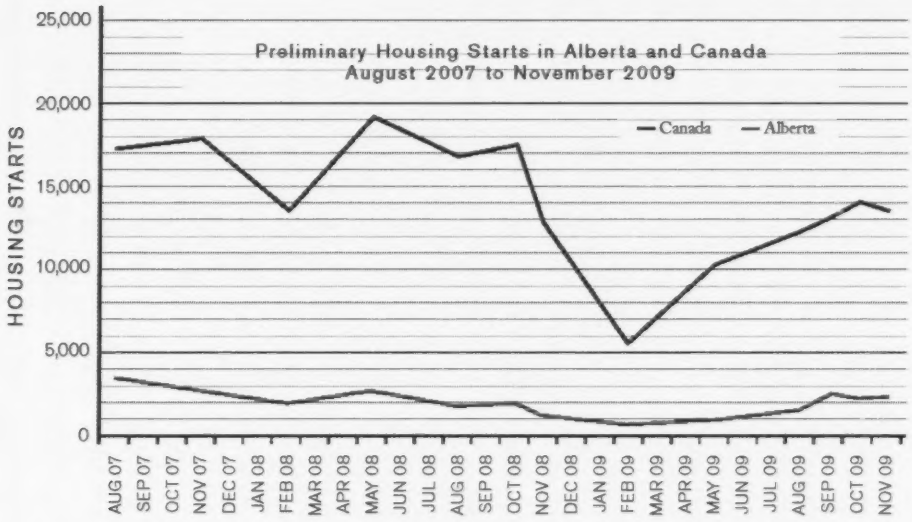
December 2009

Housing Bulletin Monthly Report

ALBERTA EXPERIENCED A SLIGHT SEASONAL DIP in HOUSING STARTS



* Data reflects centres with a population of 10,000 and over only.

Source: Canada Mortgage and Housing Corporation

- Canada's total housing starts in November 2009 are down 4.1 per cent from October 2009 (a typical seasonal decline), but are up 5.7 per cent when compared to November 2008.
- Alberta's November 2009 housing starts decreased slightly (-0.8 per cent) over the previous month (October 2009).
- Compared to the past two years, this October to November dip in housing starts is notably low; total housing starts decreased by 16.4 per cent from October to November 2007 and 30.6 per cent during the same period in 2008.
- Alberta's November 2009 housing starts increased nearly 70 per cent over November 2008. These trends suggest a healthy recovery in Alberta's home building sector from the 2008 economic slowdown.

ISSUE HIGHLIGHTS

Housing Starts
Both single and multi-family housing construction have picked up across Alberta's major urban centres over the past year.
Page 2

Rental Market
Overall, renting in Alberta is more affordable.
Page 3

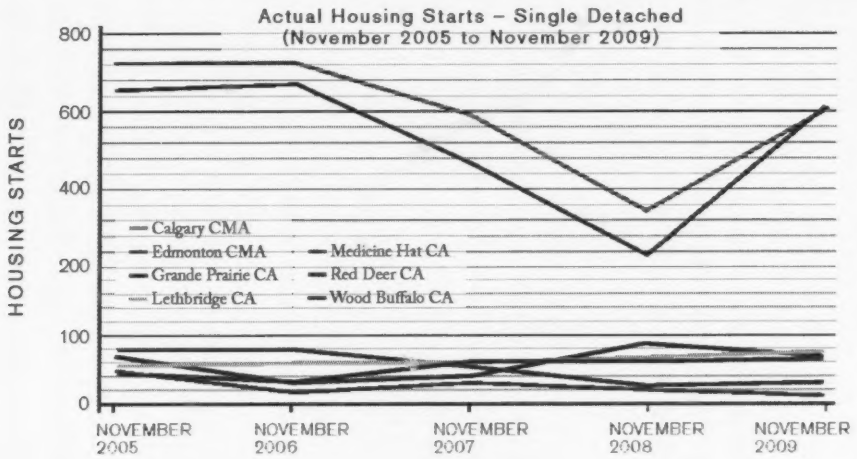
Newly-built Home Prices:
Can they go any lower?
Page 5

Bank of Canada reiterated commitment to hold interest rates until 2nd quarter of 2010.

(SOURCE: FINANCIAL POST)

C) Alberta's total housing starts fell 38.5 per cent from 2008 to 2009, but are expected to grow annually by 22.6 per cent (2010), 9.1 per cent (2011), 12.5 per cent (2012) and 11.1 per cent (2013). (CMHC) Alberta

SINGLE-FAMILY HOUSING STARTS ROSE 75 PER CENT from NOVEMBER 2008 to NOVEMBER 2009

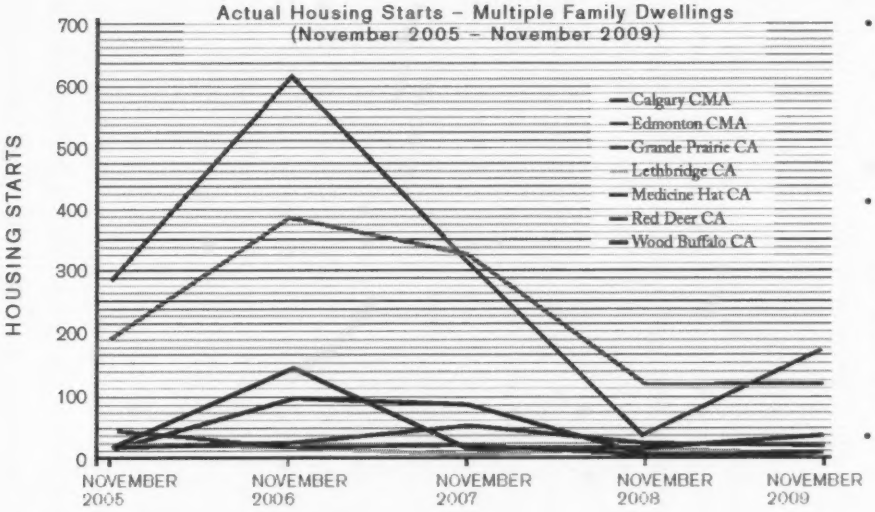


- Grande Prairie (-17 per cent), Medicine Hat (-37 per cent) and Wood Buffalo (-1.6 per cent) had fewer single-detached foundations poured in November 2009 compared to November 2008. Poor labour market conditions and economic uncertainty in these regions continues to slow the recovery of housing starts, along with an excess residual inventory left over from the 2005-2007 boom period.

Source: Canada Mortgage and Housing Corporation

- Total single-detached housing starts across Alberta's seven major urban centres nearly doubled from 119 in November 2008 to 209 in November 2009.
- These latest figures have not reached levels of the height of the province's last economic and housing boom in November 2006 (233), when construction costs increased by 44 per cent in Calgary and 29 per cent in Edmonton. The unsustainable growth in 2006 led to a significant price jump for new and resale homes in these two cities, making home ownership unaffordable, shrinking rental vacancy rates and inflating monthly rental costs.
- From November 2008 to November 2009, housing starts for single-detached homes increased by 170 per cent in Edmonton and 79 per cent in Calgary; in part attributed to the decline in resale and newly-constructed unabsorbed home inventories.
- The increased strength in starts can also be attributed to low borrowing costs, reasonably good wages as the labour market recuperates, and an overall positive consumer sentiment.

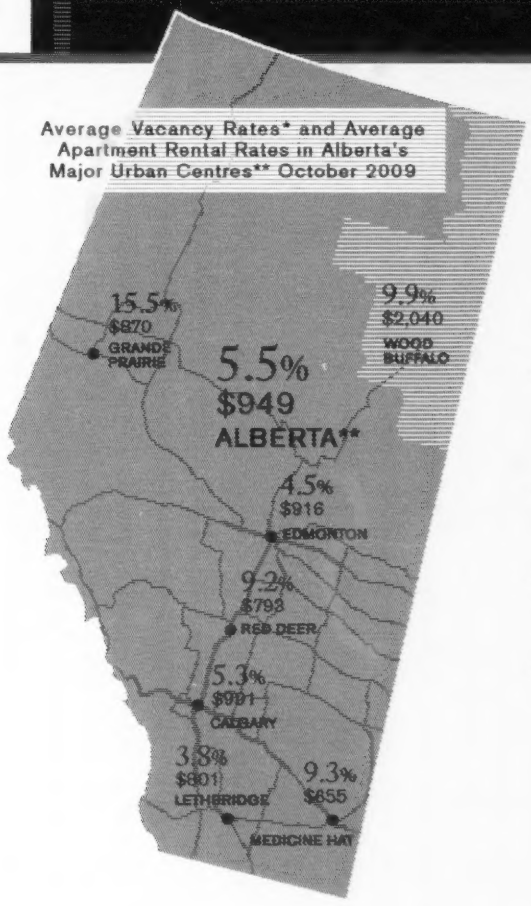
MULTI-FAMILY STARTS INCREASED 90 PER CENT from NOVEMBER 2008 TO NOVEMBER 2009



Source: Canada Mortgage and Housing Corporation

- Overall, construction of multi-family dwellings increased over the November 2008 to November 2009 period across Alberta's largest centres. The most impressive recovery was in Edmonton, which rose from a low of 55 multiple starts in November 2008 to 333 in November 2009.
- Regionally, starts on multiple housing structures changed to varying degrees across the province from November 2008 to 2009, with a notable increase in the Wood Buffalo Region, from 20 to 72 starts (260 per cent) and Grande Prairie, from 2 to 14 starts (600 per cent). During the same period, Calgary's multi-family starts decreased by 3.8 per cent.
- There has been no multi-family housing construction in the Medicine Hat region during the month of November since 2007.

S CANADA) The value of Alberta's residential building permits nearly tripled from January to October 2009. (STATISTICS CANADA) The value of Alberta's residential building permits ne



RISING VACANCIES EASE PRESSURE on RENTAL RATES

- Most recent data shows average private rental vacancy rates across Alberta** have more than doubled from 2.5 per cent in 2008 to 5.5 per cent in 2009, with Wood Buffalo leading the year-over-year increase in vacancy rates from 0.5 per cent to nearly 10 per cent.
- Overall, the average cost to rent an apartment* in Alberta** dropped 2.7 per cent from October 2008 ($975 per month) to October 2009 ($949 per month).
- The most notable change in average rental rate* occurred in Grande Prairie and the Wood Buffalo Region, where rents dropped by 6.8 per cent.
- Only two of Alberta's 7 major centres had higher average rental rates despite more vacancies in October 2009: Lethbridge (increased 3.4 per cent) and Medicine Hat (increased 1.7 per cent).

	AVERAGE APARTMENT VACANCY RATES*					AVERAGE MONTHLY APARTMENT RENTAL RATES*				
	October 2006	October 2007	October 2008	October 2009	% Change from October 2008 to October 2009	October 2006	October 2007	October 2008	October 2009	% Change from October 2008 to October 2009
Calgary CMA	0.5%	1.5%	2.1%	5.3%	152.4%	$851	$974	$1,031	$991	-3.9%
Edmonton CMA	1.2%	1.5%	2.4%	4.5%	87.5%	$727	$859	$930	$916	-1.5%
Grande Prairie CA	0.1%	4.9%	8.5%	15.5%	82.4%	$905	$1,041	$933	$870	-6.8%
Lethbridge CA	0.6%	0.4%	1.8%	3.8%	111.1%	$631	$706	$775	$801	3.4%
Medicine Hat CA	1.0%	1.4%	4.5%	9.3%	106.7%	$574	$625	$644	$655	1.7%
Red Deer CA	0.5%	2.7%	4.4%	9.2%	109.1%	$682	$786	$818	$793	-3.1%
Wood Buffalo CA	0.2%	0.3%	0.5%	9.9%	1880.0%	$1,605	$1,968	$2,190	$2,040	-6.8%
Alberta**	0.9%	1.6%	2.5%	5.5%	120.0%	$781	$913	$975	$949	-2.7%

* Average vacancy and rental rates includes all unit types (i.e., Bachelor, 1-Bedroom, 2-Bedroom and 3-Bedroom+).

** Data includes centres with a population of 10,000 and over.

Source: Canada Mortgage and Housing Corporation

NAL) Stiffening competition for renters prompts Edmonton landlords to shower new tenants with incentives at a level not seen in five years (EDMONTON JOURNAL) Stiffening competition

EDMONTON'S REAL ESTATE MARKET HEATING UP

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN EDMONTON

	AVERAGE PRICE							
	Single-Family Dwelling	Condominium	Duplex / Rowhouse	Days on the Market	Residential Listings	Residential Sales	Monthly Sales to Listings Ratio	Average Year to Date Sales to Listings Ratio
Nov 05	$226,110	$146,337	$176,615	39	1,653	1,445	87	71
Nov 06	$334,039	$212,596	$283,919	26	1,852	1,574	85	86
Nov 07	$376,267	$252,277	$311,193	51	2,729	1,223	45	50
Nov 08	$362,757	$231,531	$315,813	63	2,036	891	44	43
Nov 09	$368,018	$231,684	$285,849	48	1,894	1,261	67	62

- More Edmonton homes are selling at a faster rate in November 2009 compared to the previous year.

Source: Realtors Association of Edmonton

- The average price of a single-family dwelling in Edmonton increased by 1.5 per cent from November 2008 to November 2009. Single-family dwelling prices are 1.2 per cent higher than in October 2009.
- The average price of condominiums has remained flat over the past year, while duplexes/rowhomes are nearly 10 per cent cheaper.
- There have been 18,191 residential sales from January to November 2009 compared to 16,763 during the same period of 2008; an increase of 8.5 per cent.

CALGARY'S REAL ESTATE MARKET GAINING MOMENTUM

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN CALGARY

	SINGLE-FAMILY DWELLING					CONDOMINIUM				
	Average Price	Month End Inventory	New Listings Added	Sales	Days on The Market	Average Price	Month End Inventory	New Listings Added	Sales	Days on The Market
Nov 07	$462,134	4,984	1,949	1,103	46	$312,710	2,196	890	496	44
Nov 08	$435,471	5,083	1,567	670	55	$285,820	2,399	741	284	51
Nov 09	$464,444	2,658	1,365	1,095	42	$294,264	1,434	705	504	46

- Homes sold at a faster rate in November 2009 compared to the same month in 2008. This increase in demand combined with low borrowing costs and a 40 per cent drop in inventory hints that Calgary's real estate industry is edging out of a balanced housing market and leaning towards a sellers' market.

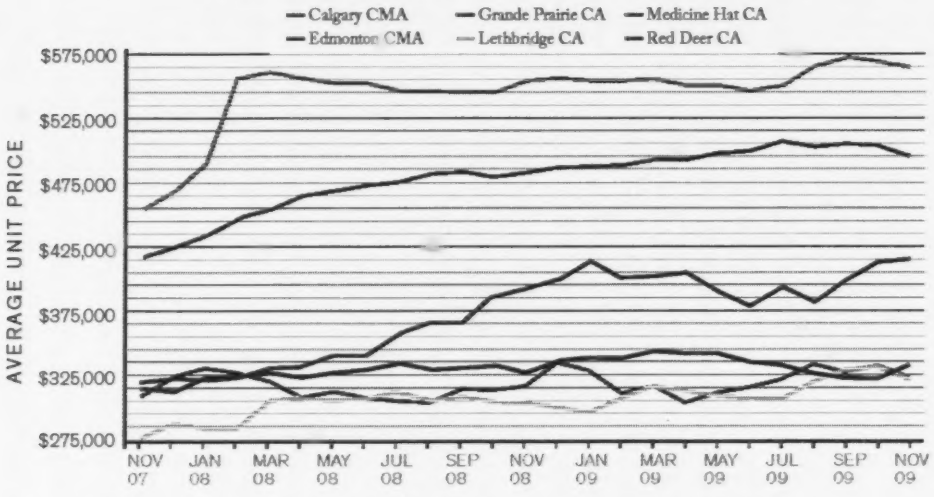
Source: Calgary Real Estate Board

- The average price for a single-family home in Calgary increased 6.7 per cent from November 2008 to November 2009. The average price for a condominium increased 3 per cent during that period.
- Calgary's November 2009 single-family home sales were up 63 per cent from the same month one year ago, while condominium sales saw an even steeper increase—up 77 per cent.

CIBC) Canadian housing market has swung from a buyers' market earlier in 2009 back into a sellers' market. (CIBC) Canadian housing market has swung from a buyers' market earli

NEWLY-BUILT HOME PRICES HOLDING GROUND

Average Price* of Newly Completed Single and Semi-Detached Dwellings in Alberta's Major Centres** (November 2007 to November 2009)



* Data reflects the average unit price of newly completed and unabsorbed single-detached and semi-detached dwellings.

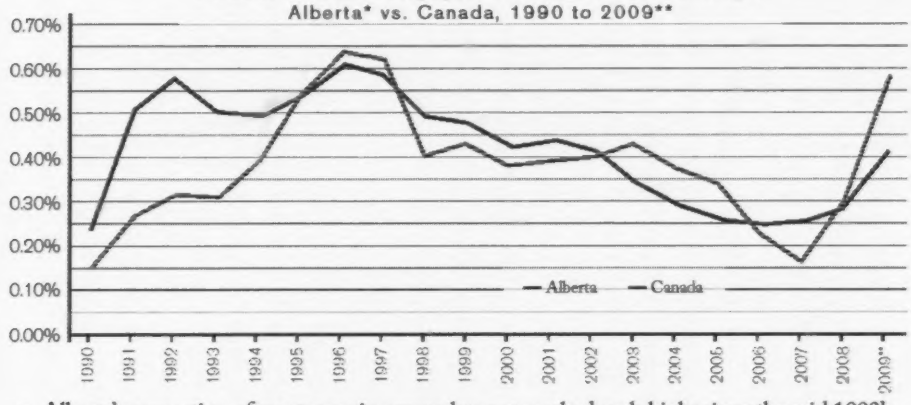
** Data includes centres with a population of 50,000 and over. Wood Buffalo information is not included. Canada Mortgage and Housing Corporation anticipates to include data for Wood Buffalo in 2010, as according to the 2006 Census, this region now meets the population criteria for this report.

Source: Canada Mortgage and Housing Corporation

- From October to November 2009, the average price for newly-built single and semi-detached homes dipped slightly across Alberta's major centres (-1.2 per cent). In particular, the average price decreased in Calgary (-1.1 per cent), Edmonton (-1.5 per cent), Lethbridge (-3.4 per cent) and Medicine Hat (-3.9 per cent). New home prices edged upwards however, in Grande Prairie (2.3 per cent) and Red Deer (0.8 per cent) over the past month.
- Over the past year (November 2008 to 2009), new home prices increased an average of 2.9 per cent across Alberta's urban centres, from $397,045 to $408,372.
- Over the past two years (November 2007 to 2009), the average price of new homes across Alberta's major centres rose by 16 per cent. The most notable increases occurred in Red Deer (30 per cent), Calgary (24 per cent), and Edmonton (19 per cent).

MORE ALBERTANS DEFAULTING ON MORTGAGES

Percent of Total Mortgages in Arrears (annual average)
Alberta* vs. Canada, 1990 to 2009**



- Alberta's proportion of mortgages in arrears has not reached such highs since the mid 1990's.

* Data for Northwest Territories and Nunavut are included in Alberta.

** Average proportion for the months of January to October 2009.

*** CIBC's Weekly Market Insight, December 18, 2009 (http://research.cibcwm.com/res/Eco/EcoResearch.html).

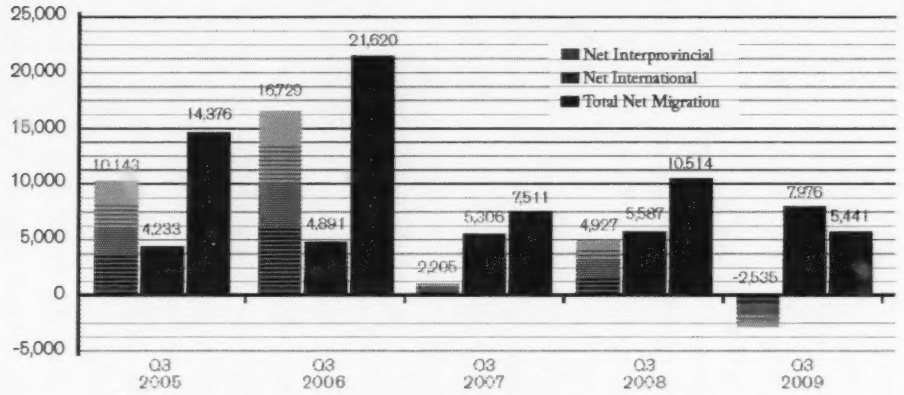
Source: Canadian Bankers' Association

- The accelerated pace of borrowing at historically low rates is beginning to raise some concerns at the Bank of Canada. For the first time in over 60 years, real household credit in Canada continued to expand through a recession. In fact, mortgage credit is now rising at a year-over-year rate of more than 7 per cent.
- With Canadian consumer confidence only 10 points below its pre-recession level (versus a 50 per cent decline in the US), Canadian households are willing to take on new credit.***
- As of October 2009, 0.069 per cent of Alberta's* mortgages stood in arrears; the highest in the country.

MAIL) Carney urges prudence among Canadians who are borrowing at super-cheap rates today but may not be able to afford higher payments tomorrow. (GLOBE AND MAIL) Carney ur

ALBERTA LOST RESIDENTS TO BRITISH COLUMBIA in THIRD QUARTER 2009

Migration Trends In Alberta: Annual Third Quarter Analysis, 2005 (Q3) to 2009 (Q3) (Calendar Year: Q3 = October to December)



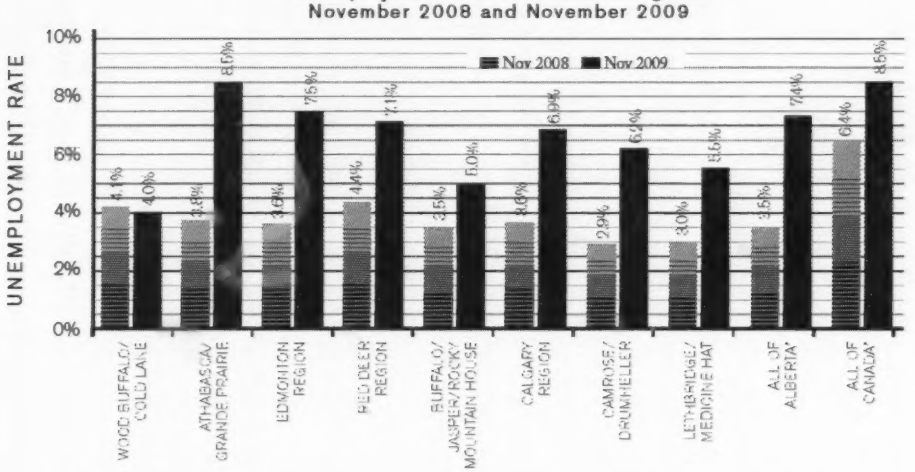
- The net outflow of interprovincial migrants during the third quarter of 2009 was more than offset by the net inflow of 7,976 international migrants during that period.

Source: Alberta Finance and Enterprise

- Alberta experienced a net loss of 2,535 interprovincial migrants in the third quarter of 2009 compared to a net gain of 4,737 people in the second quarter 2009.
- This is Alberta's first net loss of interprovincial migrants since the fourth quarter of 1994, the majority of which is attributed to the increase in net outflows to British Columbia (-1,700 people).
- However, a net loss during one quarter must be interpreted with caution as seasonal influences can result in fluctuations. The true measure of net migration is observed with annual totals.
- According to Finance and Enterprise, the increase in out-migration to other provinces is related to the recession in Alberta and is not atypical. As employers begin to hire again in 2010, including the oil and gas sector, population growth is expected to resume.

UNEMPLOYMENT RATES INCHED HIGHER in NOVEMBER 2009

Unemployment Rate* in Alberta Regions
November 2008 and November 2009



* Seasonally adjusted.

Source: Alberta Employment and Immigration

- Although Alberta's average unemployment rate (7.4 per cent) remains lower than the national average (8.5 per cent), it has more than doubled in November 2009 compared to 3.5 per cent of November 2008.
- Month-over-month, Alberta's overall unemployment rate decreased only slightly by 0.1 per cent (from 7.5 per cent in October 2009).
- Unemployment was the highest in the Athabasca and Grande Prairie region in November 2009 (8.5 per cent) compared to November 2008 (3.8 per cent).
- The only region that did not experience an increase in unemployment rate was the Wood Buffalo/Cold Lake region, where unemployment fell from 4.1 to 4.0 per cent over the past year.

LD) Albertans confident about economic outlook, particularly the job market (CALGARY HERALD) Alber